

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF:

Norman Goldstein (CRD# 1753388),

GEI Brokerage, Inc. (CRD# 39547) and
its managers, officers, affiliates
subsidiaries, representatives, successors
and assigns,

File No: 1000279

ORDER OF REVOCATION

TO THE RESPONDENTS:

Norman Goldstein
161 East Chicago Ave. Apt. 52H
Chicago, IL 60611

Norman Goldstein
One IBM Plaza
330 North Wabash Ave., Ste. 2600
Chicago, IL 60611

GEI Brokerage, Inc.
c/o Norman Goldstein
Chief Compliance Officer
One IBM Plaza
330 North Wabash Ave., Ste. 2600
Chicago, IL 60611

WHEREAS, The Illinois Secretary of State, Department of Securities ("the Department") issued a Notice of Hearing in the above-captioned matter on February 28, 2011 which was served on the Respondents by Petitioner Secretary of State in accordance with the Illinois Securities Law of 1953 [815 ILCS 5] ("the Act").

WHEREAS, on May 3, 2011, James L. Kopecky, Hearing Officer for the Department filed his "Report and Recommendation" with the Department that addressed Respondents failure to timely file an answer or appearance pursuant to the Illinois Administrative Code, 14 Ill. Adm. Code 130, subpart K, ("the Code").

WHEREAS, the rulings of the Hearing Officer on the admission of evidence are deemed proper and are hereby concurred with by the Secretary of State.

WHEREAS, the proposed Findings of Fact, Conclusions of Law and Recommendations as to Disposition provided to the Department by the Hearing Officer, James L. Kopecky, in the above captioned matter have been read and examined by the Secretary of State or his duly authorized representative.

WHEREAS, the following proposed Findings of Fact and Conclusions of Law of the Hearing Officer are hereby adopted as the Findings of Fact and Conclusions of Law of the Secretary of State:

FINDINGS OF FACT

1. The Department timely and properly served the notice of Hearing on Respondents.
2. Respondents failed to timely file an answer or special appearance.
3. Respondent **Norman Goldstein** ("Goldstein") is an individual with last known addresses of 161 East Chicago Ave. Apt. 52H, Chicago, IL 60611 and One IBM Plaza, 330 North Wabash Ave., Ste. 2600, Chicago, IL 60611.
4. Respondent **GEI Brokerage, Inc.** ("GEI") is a securities dealer with a last known address of One IBM Plaza, 330 North Wabash Ave., Ste. 2600, Chicago, IL 60611. Goldstein is registered with GEI's as its sole securities salesperson and is also Brokerage's Chief Compliance Officer.
5. On June 24, 2010, auditors from the Secretary of State of Illinois, Department of Securities ("the Department") visited GEI's offices for the purpose of conducting a routine, on-site audit. Goldstein was not present at GEI's offices at this time.
6. At the June 24, 2010 audit, GEI's administrative assistant provided the auditors with certain books and records maintained by GEI, including a sampling of customer files. Additionally, the auditors were provided with a copy of an examination report that summarizes the findings of an examination conducted by the Financial Industry Regulatory Authority ("FINRA"). The FINRA examination report cited eleven (11) exceptions, or findings that GEI was in violation of securities rules and regulations.
7. Because the Department's initial audit raised concerns about GEI's compliance procedures, the Department's auditors scheduled a second on-site audit at GEI's offices for June 28, 2010, a date in which Goldstein would be present. During this audit, the auditors asked Goldstein a number of basic questions regarding GEI's compliance measures, but despite being GEI's Chief Compliance Officer, Goldstein was unable to answer many of the questions asked of him.
8. For example, the auditors asked Goldstein how GEI corrected or responded to the exceptions from the FINRA examination report, but Goldstein could not explain to the auditors how GEI corrected the exceptions or responded to the exceptions listed in the FINRA examination report.

9. As a follow up to the June 24th and June 28th on-site audits, one of the Department's auditors sent Goldstein an email on July 6, 2010. In this email, the auditor informed Goldstein of his desire to schedule a follow-up interview at the offices of the Department in order to clarify matters that were left unclear by the two previous on-site audits. The email also made a request for documents and information that would aid the Department in completing its audit and examination of GEI.
10. This request for documents and information required that Goldstein, as Chief Compliance Officer of GEI, produce particular books and records to the Department by July 9, 2010 so that the Department would have an opportunity to examine the documents prior to the interview, which was scheduled for July 14, 2010.
11. One of the requests made by the Department's auditor was that Goldstein, as Chief Compliance Officer of GEI, produce documents relating to the GEI Health Care Fund 2001, L.P. This request specifically asked for:

A list of all individuals that have invested in the GEI Health Care Fund 2001, L.P., including their names, phone numbers, and:

- **The amount of money that each investor invested in the GEI Health Care Fund 2001, L.P.**
- **The percentage/ownership interest that each investor has in the Fund**
- **Account Statements for each investor in the Fund for the past two (2) years**

12. In response to this request, Goldstein refused to produce any of the requested documents and information pertaining to the GEI Health Care Fund 2001, L.P. Rather, Goldstein issued a written response that stated:

The Healthcare hedge fund is a Private Placement investment. We owe clients a duty of privacy. Information on investor percentage/ownership and amount invested are not given to anyone, as this violates our obligation of privacy. Thus, we cannot in good faith disclose the requested information.

13. As of this date, Goldstein has still not produced any of the information that was requested regarding the GEI Health Care Fund 2001, L.P.

CONCLUSIONS OF LAW

14. The Respondents are subject to an order of default based on their failure to timely file an answer or appearance.

Order of Revocation

-4-

15. The Respondents have waived their right to a hearing.
16. The allegations in the Notice of Hearing are deemed admitted.
17. The request for documents and information that the Department's auditor sent to Goldstein on July 6, 2010 was made as a part of an audit being conducted pursuant to Section 11 of the Act.
18. Section 12.D of the Act provides that it shall be a violation for any person to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of the Act or any rule or regulation made by the Secretary of State pursuant to the Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof.
19. By virtue of the foregoing, Goldstein and GEI violated section 12.D of the Act.
20. Section 8.E(1)(r) of the Act provides, *inter alia*, that the registration of a securities dealer, securities salesperson or investment adviser representative may be suspended or revoked if the Secretary of State finds that the dealer, salesperson or investment adviser representative has refused to allow or otherwise impeded designees of the Secretary of State from conducting an audit, examination, inspection, or investigation provided for under Section 11 of the Act.
21. Section 8.E(1)(g) of the Act provides, *inter alia*, that the registration of a securities dealer, securities salesperson, or investment adviser representative may be suspended or revoked if the Secretary of State finds that the dealer, salesperson or investment adviser representative has violated any of the provisions of this Act.
22. By virtue of the foregoing, GEI's registration as a securities dealer and Goldstein's registration as a securities salesperson and investment adviser representative in the State of Illinois are subject to suspension or revocation pursuant to Sections 8.E(1)(g), and 8.E(1)(r), of the Act.
23. Section 8.E(1)(e)(iv) of the Act states, *inter alia*, that the registration of any dealer may be suspended or revoked if the Secretary of State finds that the dealer has failed to maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of its salespersons that are reasonably designed to achieve compliance with applicable securities laws and regulations.
24. GEI has failed to act in accordance of Section 8.E(1)(e)(iv) when it failed to maintain and enforce written procedures to supervise the business in which it engages and to supervise the activities of its salespersons that are reasonably designed to achieve compliance with applicable securities laws and regulations.

25. For example, SEC Rule 17a-3(a)17(i)(A) requires, *inter alia*, that every broker or dealer shall make and keep current, for each account with a natural person as a customer or owner, an account record including the customer's or owner's name, tax identification number, address, telephone number, date of birth, employment status (including occupation and whether the customer is an associated person of a member, broker or dealer), annual income, net worth (excluding value of primary residence), and the account's investment objectives.
26. GEI's Written Supervisory Procedures ("WSP's"), however, do not provide for procedures that would achieve compliance with SEC Rule 17a-3(a)17(i)(A). Rather, the Manual states that when a new customer account is being opened:

The following is a minimal checklist of information which should be obtained regarding each customer:

- 1. The customer's full name and residences.**
- 2. Whether the customer is of legal age; and**
- 3. The signature of the registered representative and Supervisory Principal.**

27. The WSP's do not require GEI's registered representatives to obtain a client's tax identification number, telephone number, date of birth, employment status, annual income, net worth or the investment objective for the new account, as required by SEC Rule 17a-3(a)17(i)(A).
28. In addition to having inadequate procedures to assure that all necessary information is obtained from its clients, GEI has also failed to maintain procedures that would provide for the updating of client information as required by federal securities laws.
29. For example, SEC Rule 17a-3(a)17(i)(B)(1) requires, *inter alia*, that every broker or dealer shall make and keep current, for each account with a natural person as a customer or owner, a record indicating that the broker or dealer has furnished to each customer or owner within three years of the effective date of this section, and to each customer or owner who opened an account after the effective date of this section within thirty days of the opening of the account, and thereafter at intervals no greater than thirty-six months, a copy of the account record or an alternate document with all information required by SEC Rule 17a-3(a)17(i)(A).
30. SEC Rule 17a-3(a)17(i)(B)(1) also requires that the account record or alternate document furnished to the customer or owner shall include or be accompanied by prominent statements that the customer or owner should mark any corrections and return the account record or alternate document to the member, broker or dealer, and that the customer or owner should notify the member, broker or dealer of any future changes to information contained in the account record.

31. GEI's WSPs, however, do not have any procedures in place to ensure that GEI updates its client's account information once every thirty-six months (3 years). Instead, GEI's WSPs only provide:

The Supervisory Principal must approve the potential customer prior to, or promptly after, completion of an initial transaction, and must review all customer accounts no less frequently than annually.

32. GEI's WSPs did not describe what constituted a "review" of customer accounts, and did not mandate that the Supervisory Principal ever contact the customer.
33. By virtue of the foregoing, GEI's registration as a securities dealer in the State of Illinois is subject to suspension or revocation pursuant to Section 8.E(1)(e)(iv) of the Act.
34. GEI's failure to maintain and enforce written supervisory procedures that would be reasonably designed to achieve compliance with applicable securities laws facilitated violations of the Act by GEI and Goldstein when they failed to maintain the books and records required by SEC Rules 17a-3(a)17(i)(A) and 17a-3(a)17(i)(B)(1).
35. As stated in Paragraph 7, the Department made a request for documents and information that would aid the Department in completing its audit and examination of GEI.
36. One of the requests made by the Department was that Goldstein, as Chief Compliance Officer of GEI, produce documents pertaining to the account information of GEI's clients. This request specifically asked for:

A list of all GEI Brokerage's brokerage customers, including addresses, telephone numbers and a copy of each brokerage customers' new account form with suitability information including but not limited to DOB and investment objective(s).

37. The documents requested that pertain to the account information of GEI's clients were records that were required to be created pursuant to SEC Rules 17a-3(a)17(i)(A) and 17a-3(a)17(i)(B)(1).
38. On July 9, 2010, Goldstein, as Chief Compliance Officer of GEI, produced documents and account information for approximately thirty-nine (39) client accounts.
39. Goldstein's production of his client's account information documents uncovered a plethora of violations of federal and state securities laws.
40. For instance, none of the account opening documents that Goldstein produced to the Department had been updated in the past thirty-six months. In fact, the most recent account document that was produced was created in 2004.

41. In addition, many of the account documents were missing information that GEI and Goldstein were required to obtain prior to opening the account. For example, account opening documents did not contain material information, such as the client's income and/or net worth. In another instance, GEI obtained a signed client account document from a client despite the fact that, other than for the client's signature, the document was blank.
42. Section 8.E(1)(q) of the Act provides, *inter alia*, that the registration of a securities dealer, securities salesperson or investment adviser representative may be suspended or revoked if the Secretary of State finds that the dealer, salesperson or investment adviser representative has failed to maintain the books and records required under this Act or rules promulgated under this Act or under any requirements established by the Securities and Exchange Commission or a self-regulatory organization.
43. By virtue of the foregoing, GEI's registration as a securities dealer and Goldstein's registration as a securities salesperson and investment adviser representative in the State of Illinois are subject to suspension or revocation pursuant to Section 8.E(1)(q), of the Act.
44. GEI and Goldstein have engaged in a continuing course of dealing that demonstrates an inability to properly conduct the securities business that they are engaged in.
45. For example, in the course of its June 24, 2010 audit of GEI, auditors from the Department were provided with a copy of an examination report that summarizes the findings of a FINRA examination of GEI.
46. The FINRA examination report cited eleven (11) exceptions, or instances in which GEI was not in compliance with applicable securities laws and regulations. For example, Exception 1 of FINRA's examination report stated:

EXCEPTION:

Failure to comply with NASD Rule 3510 in that the firm failed to evidence a Business Continuity Plan (BCP).

DETAIL: The following items were not addressed:

- a). data back-up and Recovery during an emergency or significant business disruption;**
- b). mission critical systems during an emergency or significant business disruption**
- c). periodic assessment of financial and operational risks;**
- d). alternate communications during an emergency or significant business disruption;**

- e). providing an alternate physical location for employees in the event of an emergency or significant disruption;
- f). regulatory reporting and communications with regulators;
- g). provide for customers' prompt access to funds and securities in the event that the firm is unable to continue its business;
- h). comply with the disclosure requirements of NASD Rule 3510(e);
- i). requirements for updating, annual review and senior management approval of provisions.

In another example, Exception 5 of FINRA's examination report stated:

EXCEPTION:

The firm was not in compliance with NASD Rule 3012(a).

DETAIL:

Failure to develop/maintain written Supervisory Control Procedures, and failed to provide an annual report to senior management addressing the firm's supervisory controls policies and procedures.

- 47. At the Department's second on-site audit conducted at GEI's offices on June 28, 2010, the auditors asked Goldstein how GEI corrected or responded to the exceptions from the FINRA examination report, but Goldstein could not explain to the auditors how GEI corrected the exceptions or responded to the exceptions listed in the FINRA examination report.
- 48. In addition, at the June 28, 2010 audit, the auditors asked Goldstein a number of basic questions regarding GEI's compliance measures, but despite being GEI's Chief Compliance Officer, Goldstein was unable to answer many of the questions asked of him.
- 49. Section 8.E(1)(m) of the Act provides, *inter alia*, that the registration a securities dealer, securities salesperson or investment adviser representative may be suspended or revoked if the Secretary of State finds that the dealer, salesperson or investment adviser representative has conducted a continuing course of dealing of such nature as to demonstrate an inability to properly conduct the business of a securities dealer, securities salesperson or investment adviser representative.
- 50. By virtue of the foregoing, GEI's registration as a securities dealer and Goldstein's registration as a securities salesperson and investment adviser representative in the State of Illinois are subject to suspension or revocation pursuant to Section 8.E(1)(m), of the Act.

Order of Revocation

-9-

WHEREAS, the Hearing Officer recommends as a disposition to the above-captioned matter that:

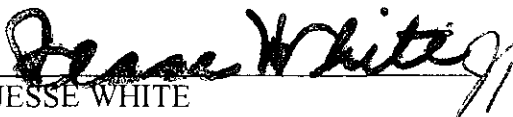
1. An order of default be entered against each respondent.
2. Respondent GEI Brokerage, Inc.'s registration as a securities dealer in the State of Illinois be revoked.
3. Respondent Norman Goldstein's registration as a securities salesperson in the State of Illinois be revoked.
4. Respondent Norman Goldstein's registration as an investment adviser representative in the State of Illinois be revoked.

The Secretary of State adopts the Recommendations as to Disposition made by the Hearing Officer in their entirety.

NOW THEREFORE, IT IS HEREBY ORDERED THAT:

1. Respondents GEI Brokerage, Inc. and Norman Goldstein are in default.
2. Respondent GEI Brokerage, Inc.'s registration as a securities dealer in the State of Illinois is **REVOKED**.
3. Respondent Norman Goldstein's registration as a securities salesperson in the State of Illinois is **REVOKED**.
4. Respondent Norman Goldstein's registration as an investment adviser representative in the State of Illinois is **REVOKED**.

Dated this 10th day of May, 2011.


JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of the Section 12.D of the Act. Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of the Order, shall be guilty of a Class 4 Felony.

Order of Revocation

-10-

This is a final order subject to administrative review pursuant to the Administrative Review Law, {735 ILCS 5/3-101 et seq.} and the Rules and Regulations of the Illinois Securities Act, {14 Ill. Admin. Code Ch. I, Section 130.1123}. Any action for Judicial Review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.

Attorney for the Secretary of State:
James Gleffe
Office of the Secretary of State
Illinois Securities Department
69 West Washington Street, Suite 1220
Chicago, Illinois 60602
Telephone: (312) 793-3593